

STATE HIGH RISK POOL FUNDING EXTENSION ACT OF 2005

JULY 27, 2005.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

Mr. BARTON of Texas, from the Committee on Energy and
Commerce, submitted the following

R E P O R T

[To accompany H.R. 3204]

[Including cost estimate of the Congressional Budget Office]

The Committee on Energy and Commerce, to whom was referred
the bill (H.R. 3204) to amend title XXVII of the Public Health Serv-
ice Act to extend Federal funding for the establishment and oper-
ation of State high risk health insurance pools, having considered
the same, report favorably thereon with an amendment and rec-
ommend that the bill as amended do pass.

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AMENDMENT

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “State High Risk Pool Funding Extension Act of 2005”.

SEC. 2. EXTENSION OF FUNDING FOR ESTABLISHMENT AND OPERATION OF STATE HIGH RISK HEALTH INSURANCE POOLS.

(a) **AUTHORIZATION OF APPROPRIATIONS.**—Subsection (c) of section 2745 of the Public Health Service Act (42 U.S.C. 300gg–45) is amended to read as follows:

“(c) **AUTHORIZATION OF APPROPRIATIONS.**—

“(1) **SEED GRANTS.**—For the purpose of carrying out subsection (a), there is authorized to be appropriated \$15,000,000 for fiscal year 2005.

“(2) **OPERATION OF POOLS.**—For the purpose of carrying out subsection (b), there is authorized to be appropriated \$50,000,000 for each of the fiscal years 2005 through 2009.

“(3) **AVAILABILITY; RULE OF CONSTRUCTION.**—Funds appropriated under this subsection for a fiscal year shall remain available for obligation through the end of the following fiscal year. Nothing in this section shall be construed as providing a State with an entitlement to a grant under this section.”.

(b) **CHANGE IN REQUIREMENTS FOR QUALIFIED HIGH RISK POOLS.**—

(1) **CHANGE IN REQUIREMENT FOR OPERATIONAL GRANTS.**—Subsection (b) of such section is amended—

(A) in paragraph (1)(A), by inserting “(or 200 percent in the case of a State that meets the requirements of paragraph (3))” after “150 percent”;

(B) in paragraph (1)(C), by striking “after the end of fiscal year 2004” and inserting “after the end of the last fiscal year for which a grant is provided under this paragraph”; and

(C) by adding at the end the following new paragraph:

“(3) **SPECIAL RULE FOR POOLS CHARGING HIGHER PREMIUMS.**—In the case of a qualified high risk pool of a State which charges premiums that exceed 150 percent of the premium for applicable standard risks, the State shall use at least 50 percent of the amount of the grant provided to carry out this subsection to reduce premiums for enrollees.”.

(2) **CHANGE IN DEFINITION OF QUALIFIED HIGH RISK POOL.**—Subsection (d) of such section is amended to read as follows:

“(d) **DEFINITIONS.**—In this section:

“(1) **QUALIFIED HIGH RISK POOL.**—The term ‘qualified high risk pool’ has the meaning given such term in section 2744(c)(2), except that a State may elect to meet the requirement of subparagraph (A) of such section (insofar as it requires the provision of coverage to all eligible individuals) through providing for the enrollment of eligible individuals through an acceptable alternative mechanism (as defined for purposes of section 2744) that includes a high risk pool as a component.

“(2) **STANDARD RISK RATE.**—The term ‘standard risk rate’ means a rate that—

“(A) is determined under the State high risk pool by considering the premium rates charged by other health insurers offering health insurance coverage to individuals in the insurance market served;

“(B) is established using reasonable actuarial techniques; and

“(C) reflects anticipated claims experience and expenses for the coverage involved.

“(3) **STATE.**—The term ‘State’ means any of the 50 States and the District of Columbia.”.

(3) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply to grants for fiscal years beginning with fiscal year 2005.

(c) **CHANGE IN ALLOTMENT FORMULA FOR OPERATIONAL GRANTS.**—Subsection (b)(2) of such section is amended—

(1) by inserting “(before fiscal year 2005)” after “for a fiscal year”; and

(2) by adding at the end the following:

“The amount appropriated under subsection (c)(2) for a fiscal year beginning with fiscal year 2005 (less the portion of such amount made available to carry out subsection (f)) shall be made available to the States (including entities that operate the high risk pool under applicable State law in a State) that qualify for a grant under subsection (b) as follows:

“(A) An amount equal to $\frac{1}{3}$ of such amount shall be allocated in equal amounts among such qualifying States.

“(B) An amount equal to $\frac{1}{3}$ of such amount shall be allocated among such States so that the amount provided to a State bears the same ratio to such available amount as the number of uninsured individuals in the State bears

to the total number of uninsured individuals in all such States (as determined by the Secretary).

“(C) An amount equal to $\frac{1}{3}$ of such amount shall be allocated among such States so that the amount provided to a State bears the same ratio to such available amount as the number of individuals enrolled in health care coverage through the qualified high risk pool of the State bears to the total number of individuals so enrolled through qualified high risk pools in all such States (as determined by the Secretary).”.

(d) ADMINISTRATIVE PROVISIONS; ANNUAL REPORT.—Such section is amended by adding at the end the following new subsection:

“(e) ADMINISTRATIVE PROVISIONS; ANNUAL REPORT.—

“(1) APPLICATIONS.—To be eligible for a grant under this section, a State shall submit to the Secretary an application at such time, in such manner, and containing such information as the Secretary may require.

“(2) NO ENTITLEMENT.—Nothing in this section shall be construed as providing a State with an entitlement to a grant under this section.

“(3) ANNUAL REPORT.—The Secretary shall submit to Congress an annual report on grants provided under this section. Each such report shall include information on the distribution of such grants among the States and the use of grant funds by States.”.

(e) BONUS GRANTS FOR SUPPLEMENTAL CONSUMER BENEFITS.—Such section is further amended—

(1) in subsection (c)(2), as added by subsection (a), by adding at the end the following: “Of the amount appropriated under the preceding sentence for fiscal year 2005, up to 50 percent shall be available for the purpose of carrying out subsection (f).”; and

(2) by adding at the end the following new subsection:

“(f) BONUS GRANTS FOR SUPPLEMENTAL CONSUMER BENEFITS.—

“(1) IN GENERAL.—In the case of each State that has established a qualified high risk pool, the Secretary shall provide, from the funds made available under subsection (c)(2) to carry out this subsection, a grant to be used to provide supplemental consumer benefits to enrollees or potential enrollees (or defined subsets of such enrollees or potential enrollees) in qualified high risk pools.

“(2) BENEFITS.—Funds provided to a State under paragraph (1) may be used only to provide one or more of the following benefits:

“(A) Low-income premium subsidies.

“(B) A reduction in premium trends, actual premiums, or other cost-sharing requirements.

“(C) An expansion or broadening of the pool of individuals eligible for coverage, such as through eliminating waiting lists, increasing enrollment caps, or providing flexibility in enrollment rules.

“(3) LIMITATION.—In no case shall the amount of a grant under this subsection to a State, from the amount made available under subsection (c)(2) for a fiscal year to carry out this subsection, exceed 10 percent of the amount so made available.

“(4) RULE OF CONSTRUCTION.—Nothing in this subsection shall be construed to prohibit a State that, on the date of enactment of this subsection, is in the process of implementing programs to provide benefits of the type described in paragraph (2), from being eligible for a grant under this subsection.

“(5) FUNDING.—

“(A) AVAILABILITY.—Funds appropriated under this subsection for a fiscal year shall remain available for obligation through the end of the following fiscal year.

“(B) REALLOTMENT.—If, on June 30 of a fiscal year for which funds are made available under this subsection, the Secretary determines that the full amounts will not be made available for grants under this subsection, such remaining amounts shall be made available and allotted among qualifying States under subsection (b) for the fiscal year in accordance with the formula under subsection (b)(2).”.

PURPOSE AND SUMMARY

The purpose of H.R. 3204 is to extend Federal funding for the establishment and operation of State high risk health insurance pools.

BACKGROUND AND NEED FOR LEGISLATION

The State High Risk Pool Funding Extension Act of 2005 extends Federal funding that was made available under the Trade Act of 2002 for the establishment and operation of State high-risk health insurance pools.

High-risk pools provide health insurance for individuals who have been unable to purchase coverage due to pre-existing conditions, chronic illnesses, or conditions that make them too expensive to insure. Risk pools allow eligible individuals to purchase health insurance, pay premiums, and receive health coverage through private insurers. In states that operate pools, total premiums are capped at a fixed percentage of market-based premiums, which helps to guarantee that the product remains affordable. Because high-risk pools cover many individuals who have major health problems, the costs of operating the pools exceed the funds received through beneficiary premiums. States operating pools have historically made up for this shortfall through taxes upon health insurers and also in some instances general fund revenues.

The Trade Act of 2002 provided new federal funding for state high-risk pools. The Act provided \$40 million for fiscal years 2003 and 2004 for states to cover a portion of the losses of qualified state high-risk pools. These funds were distributed to states according to a formula that was based on the number of uninsured persons living in the state. The Act also provided \$20 million for fiscal year 2003 for seed grants to states seeking to establish high-risk pools.

H.R. 3204 would extend seed grant funding to \$15 million for fiscal year 2005, and would provide \$50 million for each of fiscal years 2005 through 2009 for the operation of a qualified high-risk pool. H.R. 3204 also makes several changes to the definition of a "qualified high risk" pool that would be eligible for Federal grant money. In addition, H.R. 3204 would alter the allotment formula for distributing grant money. This formula would stipulate that $\frac{1}{3}$ of the allotted grant money would be allocated in equal amounts among qualifying states, $\frac{1}{3}$ of such amount will be allocated based on the number of uninsured individuals in a state, and $\frac{1}{3}$ of such amount will be allocated based on the number of individuals enrolled in the state's high risk pool. Finally, this legislation provides bonus grants to ensure that a significant portion of the Federal funding is used to provide supplemental consumer benefits for current and potential pool enrollees.

HEARINGS

The Committee on Energy and Commerce has not held hearings on the legislation.

COMMITTEE CONSIDERATION

On Tuesday, June 14, 2005, the Subcommittee on Health met in open markup session and approved H.R. 3204, the State High Risk Pool Funding Extension Act of 2005, for full Committee consideration, by a voice vote, a quorum being present. On Wednesday, July 20, 2005, the full Committee met in open markup session and ordered H.R. 3204 favorably reported to the House, amended, by a voice vote, a quorum being present.

COMMITTEE VOTES

There were no record votes taken in connection with ordering H.R. 3204 reported. A motion by Mr. Barton to order H.R. 3204 reported to the House, amended, was agreed to by a voice vote.

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee has not held oversight or legislative hearings on this legislation.

STATEMENT OF GENERAL PERFORMANCE GOALS AND OBJECTIVES

The goals of H.R. 3204 are to extend Federal funding for the establishment and operation of State high risk health insurance pools, and also to expand the definition of a "qualified high risk pool" that would qualify for Federal funding.

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee finds that H.R. 3204, the State High Risk Pool Funding Extension Act of 2005, would result in no new or increased budget authority, entitlement authority, or tax expenditures or revenues.

COMMITTEE COST ESTIMATE

The Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Act of 1974.

CONGRESSIONAL BUDGET OFFICE ESTIMATE

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, July 25, 2005.

Hon. JOE BARTON,
Chairman, Committee on Energy and Commerce,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 3204, the State High Risk Pool Funding Extension Act of 2005.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Shinobu Suzuki.

Sincerely,

ELIZABETH M. ROBINSON
(For Douglas Holtz-Eakin, Director).

Enclosure.

H.R. 3204—State High Risk Pool Funding Extension Act of 2005

Summary: H.R. 3204 would amend the Public Health Service Act to extend the funding for the creation and operation of a state high-risk health insurance pool. The high-risk pools offer health insurance to individuals who cannot obtain coverage in the marketplace. Under an authorization that expired in 2004, the Department of Health and Human Services (HHS) provided seed grants to states to create a high-risk health insurance pool and operational grants for the losses incurred in connection with the operation of a pool. H.R. 3204 would extend the funding for the seed grants through 2006 and would increase and extend the funding for the operational grants through 2009. In addition would alter how grants are allotted to states. This estimate assumes that H.R. 3204 will be enacted near the end of fiscal year 2005. CBO estimates that enactment of H.R. 3204 would have no effect on direct spending in 2005 but would increase direct spending by \$30 million in 2006 and \$230 million over the 2006–2010 period. Enacting H.R. 3204 would not affect revenues.

H.R. 3204 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would extend and expand appropriation for grants to states that operate high-risk insurance pools.

Estimated cost to the federal government: The estimate budgetary impact of H.R. 3204 is shown in the following table. The costs of this legislation fall within budget function 550 (health).

| | By fiscal year, in millions of dollars— | | | | | |
|----------------------------|---|------|------|------|------|------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| CHANGES IN DIRECT SPENDING | | | | | | |
| Budget Authority | 65 | 50 | 50 | 50 | 50 | 0 |
| Estimated Outlays | 0 | 30 | 50 | 50 | 50 | 50 |

Basis of estimate: H.R. 3204 would amend the Public Health Service Act to reauthorize a program that provided grants to states that establish a qualifying health insurance pool for high-risk individuals. The bill would appropriate \$15 million in 2005 for seed grants to states to establish qualified high-risk health insurance pools, and would appropriate \$50 million a year for fiscal years 2005 through 2009 for grants to states to defray the cost of operating high-risk pools. The original program appropriated funds for seed grants during 2003 and for grants to defray operating costs during 2003 and 2004. CBO estimates that enacting H.R. 3204 would have no effect on direct spending in 2005 but would increase direct spending by \$230 million over the 2006–2010 period.

The seed grant program would provide grants of up to \$1 million to each state that establishes a qualified high-risk insurance program. Based on the experience of the original seed grant program, and on information from HHS regarding the number of states likely to qualify for seed grants in 2005 and 2006, CBO estimates that direct spending for seed grants would total \$5 million over the 2005–2010 period.

H.R. 3204 would eliminate both the original requirement that each state match the amount of the federal grant to defray the cost of operating a high-risk pool and the corresponding limit on the federal contribution to no more than half of the operating loss of

the pool. The bill would require that a portion of the fiscal year 2005 funds for operational grants be used for grants to provide supplemental benefits, such as premium subsidies for low-income individuals, a reduction in premiums or other cost-sharing requirements, an expansion or broadening of the pool of individuals eligible for coverage, or increased benefits to enrollees or potential enrollees in a qualified high-risk pool. However, on June 30 of the following fiscal year, unspent funds allocated to grants for supplemental benefits would be distributed to the states receiving operational grants that cover incurred losses.

The bill also would modify the formula for allocating funds to states to give one third of the funds to eligible states equally and apportion remaining two-thirds based on the number of uninsured individuals in each state and the number of enrollees in the state's qualified high-risk pool. Previously, all funds were allotted based solely on the number of uninsured individuals in the state. Based on the operating losses of the existing pools (in 31 states), CBO expects that of the appropriated funds would be spent, with direct spending of \$230 million over the 2006–2010 period.

Intergovernmental and private-sector impact: H.R. 3204 contains no intergovernmental or private-sector mandates as defined in the UMRA and would benefit states by providing funding to establish and continue operations of high-risk pools for health insurance.

Previous CBO estimate: On February 10, 2005, CBO transmitted an estimate of S. 288, the State High Risk Pool Funding Extension Act of 2005, as reported by the Senate Committee on Health, Education, Labor, and Pensions on February 10, 2005. CBO's estimates of two bills reflect differences in the level of appropriations: S. 288 would appropriate more than H.R. 3204 (\$90 million in fiscal year 2005 and \$75 million a year for fiscal years 2006 through 2009).

Estimate prepared by: Federal costs: Shinobu Suzuki; Impact on state, local, and tribal governments: Leo Lex; Impact on the private sector: Chapin White.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds that the Constitutional authority for this legislation is provided in Article I, section 8, clause 3, which grants Congress the power to regulate commerce with foreign nations, among the several States, and with the Indian tribes.

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Short title

This section designates the bill as the “State High Risk Pool Funding Extension Act of 2005”.

Section 2. Extension of Funding for Establishment and Operation of State High Risk Health Insurance Pool

Section 2 amends section 2745(c) of the Public Health Service Act to extend the authorization of appropriations for seed grants, operation of state high risk pools.

Section 2 also changes the requirements for qualified high risk pools. A state that charges 200 percent of the premium for standard risk rates may now qualify for Federal grant funding provided that the state uses 50 percent of the amount of the grant to carry out this subsection to reduce premiums for enrollees. Section 2 also states that a “qualified high risk pool” has the meaning given such term in section 2744(c)(2) of the Public Health Service Act, except that a state may elect to meet the requirement of subparagraph (A) of such section (insofar as it requires the provision of coverage to all eligible individuals) through providing for the enrollment of eligible individuals through an acceptable alternative mechanism (as defined in section 2744) that includes a high risk pool as a component. This modification was intended to ensure that Washington and Oregon, which operate high risk pools in this fashion, could qualify for Federal grant funding.

Section 2 also changes the distribution formula so that $\frac{1}{3}$ of the grant money is allocated in equal amounts among qualifying states, $\frac{1}{3}$ of such amount is allocated based on the number of uninsured individuals in a state, and $\frac{1}{3}$ of such amount is allocated based on the number of individuals enrolled in the state’s high risk pool.

Section 2 requires the Secretary of Health and Human Services to submit to Congress an annual report on grants provided under this section. Each such report shall include information on the distribution of such grants among the States and the use of grant funds by States.

In addition, section 2 provides for bonus grants for supplemental consumer benefits. Up to 50 percent of the appropriated amount will be available for states only to provide for low-income premium subsidies; a reduction in premium trends, actual premiums, or other cost-sharing requirements, or an expansion or broadening of the pool of individuals eligible for coverage, such as through eliminating waiting lists, increasing enrollment caps, or providing flexibility in enrollment rules.

Funds appropriated under this subsection for a fiscal year shall remain available for obligation through the end of the following fiscal year. If on June 30th of a fiscal year the Secretary determines that the full amount of funding will not be made available, such

remaining amounts shall be made available and allotted among qualifying States for the fiscal year in accordance with the formula.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 2745 OF THE PUBLIC HEALTH SERVICE ACT

* * * * *

SEC. 2745. PROMOTION OF QUALIFIED HIGH RISK POOLS.

(a) * * *

(b) MATCHING FUNDS FOR OPERATION OF POOLS.—

(1) IN GENERAL.—In the case of a State that has established a qualified high risk pool that—

(A) restricts premiums charged under the pool to no more than 150 percent (*or 200 percent in the case of a State that meets the requirements of paragraph (3)*) of the premium for applicable standard risk rates;

(B) offers a choice of two or more coverage options through the pool; and

(C) has in effect a mechanism reasonably designed to ensure continued funding of losses incurred by the State **[after the end of fiscal year 2004]** *after the end of the last fiscal year for which a grant is provided under this paragraph* in connection with operation of the pool;

the Secretary shall provide, from the funds appropriated under subsection (c)(2) and allotted to the State under paragraph (2), a grant of up to 50 percent of the losses incurred by the State in connection with the operation of the pool.

(2) ALLOTMENT.—The amounts appropriated under subsection (c)(2) for a fiscal year (*before fiscal year 2005*) shall be made available to the States in accordance with a formula that is based upon the number of uninsured individuals in the States. *The amount appropriated under subsection (c)(2) for a fiscal year beginning with fiscal year 2005 (less the portion of such amount made available to carry out subsection (f)) shall be made available to the States (including entities that operate the high risk pool under applicable State law in a State) that qualify for a grant under subsection (b) as follows:*

(A) *An amount equal to 1/3 of such amount shall be allocated in equal amounts among such qualifying States.*

(B) *An amount equal to 1/3 of such amount shall be allocated among such States so that the amount provided to a State bears the same ratio to such available amount as the number of uninsured individuals in the State bears to the total number of uninsured individuals in all such States (as determined by the Secretary).*

(C) *An amount equal to 1/3 of such amount shall be allocated among such States so that the amount provided to a State bears the same ratio to such available amount as the number of individuals enrolled in health care coverage*

through the qualified high risk pool of the State bears to the total number of individuals so enrolled through qualified high risk pools in all such States (as determined by the Secretary).

(3) *SPECIAL RULE FOR POOLS CHARGING HIGHER PREMIUMS.—In the case of a qualified high risk pool of a State which charges premiums that exceed 150 percent of the premium for applicable standard risks, the State shall use at least 50 percent of the amount of the grant provided to carry out this subsection to reduce premiums for enrollees.*

[(c) **FUNDING.**—Out of any money in the Treasury of the United States not otherwise appropriated, there are authorized and appropriated—

[(1) \$20,000,000 for fiscal year 2003 to carry out subsection (a); and

[(2) \$40,000,000 for each of fiscal years 2003 and 2004 to carry out subsection (b).

Funds appropriated under this subsection for a fiscal year shall remain available for obligation through the end of the following fiscal year. Nothing in this section shall be construed as providing a State with an entitlement to a grant under this section.

[(d) **QUALIFIED HIGH RISK POOL AND STATE DEFINED.**—For purposes of this section, the term “qualified high risk pool” has the meaning given such term in section 2744(c)(2) and the term “State” means any of the 50 States and the District of Columbia.]

(c) **AUTHORIZATION OF APPROPRIATIONS.**—

(1) *SEED GRANTS.*—For the purpose of carrying out subsection (a), there is authorized to be appropriated \$15,000,000 for fiscal year 2005.

(2) *OPERATION OF POOLS.*—For the purpose of carrying out subsection (b), there is authorized to be appropriated \$50,000,000 for each of the fiscal years 2005 through 2009. Of the amount appropriated under the preceding sentence for fiscal year 2005, up to 50 percent shall be available for the purpose of carrying out subsection (f).

(3) *AVAILABILITY; RULE OF CONSTRUCTION.*—Funds appropriated under this subsection for a fiscal year shall remain available for obligation through the end of the following fiscal year. Nothing in this section shall be construed as providing a State with an entitlement to a grant under this section.

(d) **DEFINITIONS.**—In this section:

(1) **QUALIFIED HIGH RISK POOL.**—The term “qualified high risk pool” has the meaning given such term in section 2744(c)(2), except that a State may elect to meet the requirement of subparagraph (A) of such section (insofar as it requires the provision of coverage to all eligible individuals) through providing for the enrollment of eligible individuals through an acceptable alternative mechanism (as defined for purposes of section 2744) that includes a high risk pool as a component.

(2) **STANDARD RISK RATE.**—The term “standard risk rate” means a rate that—

(A) is determined under the State high risk pool by considering the premium rates charged by other health insurers offering health insurance coverage to individuals in the insurance market served;

(B) is established using reasonable actuarial techniques;
and

(C) reflects anticipated claims experience and expenses
for the coverage involved.

(3) STATE.—The term “State” means any of the 50 States and
the District of Columbia.

(e) ADMINISTRATIVE PROVISIONS; ANNUAL REPORT.—

(1) APPLICATIONS.—To be eligible for a grant under this sec-
tion, a State shall submit to the Secretary an application at
such time, in such manner, and containing such information as
the Secretary may require.

(2) NO ENTITLEMENT.—Nothing in this section shall be con-
strued as providing a State with an entitlement to a grant
under this section.

(3) ANNUAL REPORT.—The Secretary shall submit to Congress
an annual report on grants provided under this section. Each
such report shall include information on the distribution of
such grants among the States and the use of grant funds by
States.

(f) BONUS GRANTS FOR SUPPLEMENTAL CONSUMER BENEFITS.—

(1) IN GENERAL.—In the case of each State that has estab-
lished a qualified high risk pool, the Secretary shall provide,
from the funds made available under subsection (c)(2) to carry
out this subsection, a grant to be used to provide supplemental
consumer benefits to enrollees or potential enrollees (or defined
subsets of such enrollees or potential enrollees) in qualified high
risk pools.

(2) BENEFITS.—Funds provided to a State under paragraph
(1) may be used only to provide one or more of the following
benefits:

(A) Low-income premium subsidies.

(B) A reduction in premium trends, actual premiums, or
other cost-sharing requirements.

(C) An expansion or broadening of the pool of individuals
eligible for coverage, such as through eliminating waiting
lists, increasing enrollment caps, or providing flexibility in
enrollment rules.

(3) LIMITATION.—In no case shall the amount of a grant
under this subsection to a State, from the amount made avail-
able under subsection (c)(2) for a fiscal year to carry out this
subsection, exceed 10 percent of the amount so made available.

(4) RULE OF CONSTRUCTION.—Nothing in this subsection
shall be construed to prohibit a State that, on the date of enact-
ment of this subsection, is in the process of implementing pro-
grams to provide benefits of the type described in paragraph (2),
from being eligible for a grant under this subsection.

(5) FUNDING.—

(A) AVAILABILITY.—Funds appropriated under this sub-
section for a fiscal year shall remain available for obliga-
tion through the end of the following fiscal year.

(B) REALLOTMENT.—If, on June 30 of a fiscal year for
which funds are made available under this subsection, the
Secretary determines that the full amounts will not be
made available for grants under this subsection, such re-
maining amounts shall be made available and allotted

among qualifying States under subsection (b) for the fiscal year in accordance with the formula under subsection (b)(2).

